

**WEST END INVESTMENT AND FINANCE
CONSULTANCY PRIVATE LIMITED
(WEIFCPL)**

**RESOLUTION FRAMEWORK FOR
COVID-19-RELATED STRESS**

Approval date – 14th December, 2020

1. INTRODUCTION

The economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers across the board which can potentially impact the long-term viability of many firms; otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks. Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a window under the Prudential Policy to enable the lenders to implement a resolution plan.

Due to COVID-19 pandemic, RBI had notified COVID-19 Regulatory Package on 27.03.2020 valid up to 31.05.2020 and extended the scheme up to 31.08.2020. WEIFCPL's Board had approved One-time COVID regulatory package on 22.04.2020 and modified due to the changes made by RBI including extension of term loan moratorium.

In furtherance, the Reserve Bank of India has issued Resolution Framework for Covid – 19 Related Stress dated 6th August, 2020 making it applicable to all NBFCs and Financial Companies (Non – Banking Financial Companies and Housing Finance Companies). All mentioned lending institution have to ensure that the resolution under this facility is extended only to borrowers having stress on account of Covid – 19.

The lending institutions have to put in place a Board approved policy detailing the manner in which the evaluation of stress on borrowers may be conducted and the objective criteria that may be applied while considering the resolution plan in each case, subject to the prudential boundaries laid out in the framework.

2. VALIDITY PERIOD:

Resolution under this framework may be invoked up to and not later than 31st December 2020 or such other time as may be permitted by RBI in future.

3. BORROWERS QUALIFIED FOR RESTRUCTURING:

This resolution framework for COVID-19 related stress is applicable for borrowers who are classified as standard and not in default for more than 30 days with West End Housing Finance Limited ("WEIFCPL"), as on 1st March 2020. The framework is broadly divided into 2 parts:

- Framework for Personal Loans
- Framework for Loans other than Personal Loans

Stipulations for Personal Loans:

- Personal loans extended to individuals are eligible for relief under this policy.

- For this purpose, 'Personal loans' shall have the same meaning as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on "XBRL Returns – Harmonization of Banking Statistics". As per this circular, 'Personal loans' refer to loans given to individuals and consist of:

1) Consumer Credit:

This refers to the loans given to individuals, which consists of

- a. loans for consumer durables,
- b. credit card receivables,
- c. auto loans (other than loans for commercial use),
- d. personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes),
- e. personal loans to professionals (excluding loans for business purposes), and
- f. loans given for other consumptions purposes (e.g., social ceremonies, etc.).
Consumption loans do not include loans given to farmers under KCC

2) Education loans,

3) Loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and

4) Loans given for investment in financial assets (shares, debentures, etc.).

Stipulations for Other exposures (Other than Personal Loans):

Exposures which are not personal loans to individuals as mentioned above, are considered as "other exposures". This category would also include loans to individuals which are given for business purposes.

Eligibility Norms:

Resolution plans under this framework is provided only to borrowers having stress on account of Covid19.

Personal Loans:

Individual borrowers impacted by COVID-19 would, inter alia, include those whose activities were adversely affected by income and/ or expense factors like:

- Reduction in salary
- Job loss,
- Drop in income of individuals/ family impacting his/ her repayment capacity,
- Any other factors arising due to COVID (which has impacted the financial/ repayment ability of the borrower or the family – Ex: Hospitalisation expenses)

Other Exposures impacted by COVID:

In case of exposures other than personal loans as well, resolution plans for eligible borrowers under this framework is provided only to the borrowers having stress on account of Covid19. Borrowers impacted by COVID19 would include those whose business activities have been adversely affected by factors like –

- Cancellation / deferment / re-scheduling of orders/drop in demand
- Changes in government/ regulatory policies
- Disruption arising out of lockdown, containment zones and other restrictions
- Shutdown of unit / work place,
- Non-availability of adequate manpower,
- Non-availability or inadequate availability of inputs/raw materials required for business activity,
- Halting or slow-down of project under implementation,
- Inadequate transportation facilities for transport of goods / people,
- Death of key promoter director / managerial personnel due to COVID, which disrupted business decision administration and operations,
- Non-realization of debtors or elongation of realization period,
- Any other factors arising due to COVID (which has impacted the financial /repayment ability of the borrower).

Borrowers not eligible:

The following exposures of WEIFCPL are not eligible for resolution under this policy:

- Credit facilities provided by WEIFCPL to their own personnel/staff.
- MSME borrowers whose aggregate exposure to lending institutions collectively, is Rs. 25 crore or less as on March 1, 2020.
- Farm credit as listed in Paragraph 6.1 of Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016 (as updated), on priority sector lending, or other relevant instructions.
- Loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.
- Exposures to financial service providers as in sub-section (17) of Section 3 of the Insolvency and Bankruptcy Act, 2016.
- Exposures to Central and State Governments; Local Government bodies (eg. Municipal Corporations); and, body corporates established by an Act of Parliament or State Legislature.

Other exclusions:

- Borrowers / promoter directors/ partners who are classified as wilful defaulters / fraud with any lender shall not be eligible for restructuring relief / additional finance under this policy.
- Borrowers who/which are under insolvency resolution process under Insolvency and Bankruptcy Code (IBC) shall also not be eligible for relief under this policy.

4. RESOLUTION PLAN FORMULATION AND IMPLEMENTATION

- For being eligible for a resolution plan, borrowers should be existing borrowers of WEIFCPL as on 1st March 2020, classified standard, not in default for more than 30 days, who are impacted by COVID-19 pandemic, and satisfy the conditions specified above and shall not be in the excluded category. The eligible borrowers shall continue to be classified as standard till the date of invocation of resolution under this framework.
- The resolution under this framework may also be invoked for borrowers who have availed benefits like moratorium/ deferment of interest under the COVID regulatory package earlier announced by RBI.
- **Loan Sanction Committee is authorized** to approve delegation of authority and operating guidelines and norms with regard to restructuring of such loans.

5. FEATURES OF THE RESOLUTION PLAN

Part A – Personal Loans

The provisions are as follows:

a) Invocation date and time limit:

The date of invocation shall be the date on which both the borrower and lending institution have agreed to proceed with a resolution plan under this framework. The resolution under this framework may be invoked up to 31st December 2020 and must be implemented within a maximum of 90 days from the date of invocation.

b) Reliefs available:

The resolution plan for personal loans may involve rescheduling of some, or all payments, conversion of any interest accrued, or to be accrued, into another credit facility, or, granting of moratorium, based on an assessment of income streams of the borrower, post restructuring, subject to a maximum moratorium of two years. Correspondingly, the overall tenor of the loan may also get modified, subject to a maximum of two years extension. The moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan.

c) Evaluation of borrowers:

While sanctioning the moratorium period, tenor extension or any additional finance, the following principles may be considered:

- The eligible borrowers would be those whose immediate ability to repay their loans has been impacted on account of COVID19, but who otherwise has a capability to meet his loan obligations upon being given a tenor extension and/or moratorium up to a maximum of 2 years, within the ambit of extant regulatory guidelines.
- Eligibility parameters to decide on the borrowers who would be eligible for restructuring would, inter alia, include leverage, debt servicing capability, liquidity, past repayment track record, the Credit Information Company score, internal score card, loan to value in case of loans secured against hard collateral, total number loans / credit cards availed, Cheque/ECS bounces in the past etc.
- WEIFCPL will consider a resolution plan, depending on the profile of the customer.

- d) Implementation date:** Resolution/Restructuring plan has to be implemented within the timeline as specified above. The resolution plan shall be deemed to be implemented only if all of the following conditions are met:
- All related documentation, including execution of necessary agreements between the WEIFCPL and borrower and collaterals provided, if any, are completed in consonance with the resolution plan being implemented;
 - The changes in the terms and conditions of the loans get duly reflected in WEIFCPL's books; and,
 - The borrower is not in default with the WEIFCPL as per the revised terms.

Part B – Loans other than Personal Loans

The provisions are as follows:

a) Invocation date:

- The date of invocation shall be the date on which both the borrower and WEIFCPL have agreed to proceed with a resolution plan under this framework. The date of invocation shall be -
- **In case of sole-lender:** The date on which both the borrower and WEIFCPL have agreed to proceed with a resolution plan under this framework.

b) Invocation and implementation time limit: The resolution under this framework may be invoked up to 31st December 2020 and must be implemented within a maximum of 180 days from the date of invocation.

c) Reliefs available: The resolution plan may include any action specified in the RBI's Prudential Framework for Resolution of Stressed Assets and covered in WEIFCPL's Resolution of Stressed Assets and Recovery Policy. The Resolution Plan (RP) may involve any action / plan / reorganization including, but not limited to, regularization of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership and restructuring. The RP may also include sanction of additional credit facilities to address the financial stress of borrowers even if there is no renegotiation of existing debt. Any extension of tenor of credit facilities, with or without moratorium, shall be subject to maximum of two years. Any moratorium period granted shall come into force immediately upon implementation of the resolution plan. However, compromise settlements shall not be governed by this COVID resolution policy.

d) Financial evaluation: While undertaking restructuring, the financial parameters laid by the Expert Committee (of RBI) shall be complied with, as a minimum requirement. Restructuring of loans and/or additional finance shall be subject to evaluation of adequate repayment capacity over the restructured tenor. The following broad principles may be considered.

- Each business segment/group may lay down eligibility parameters in their Operating guidelines to decide on the borrowers who would be eligible for restructuring
- The eligible borrowers would be those whose immediate ability to repay their loans would have been impacted on account of COVID, but who otherwise have a capability to meet their loan obligations, by giving them a tenor extension and/or moratorium upto a maximum of 2 years, within the ambit of extant regulatory guidelines

- The parameters to decide the eligible borrowers and extent of reliefs would be based on factors such as leverage, debt servicing capability, liquidity, their past repayment track record, etc.
- WEIFCPL will consider a resolution plan, depending on the profile of the customer.
- In case of sole lending relationships, the eligibility norms to decide on the borrowers eligible for restructuring would be specified in the Operating guidelines.

e) Financial Parameters with Sector specific benchmark ranges

- The RBI, vide its circular no BP.BC./13/21.04.048/2020-21 dated 7th Sept 2020 has laid down the financial parameters and the sector-specific desirable ranges for such parameters that need to be adhered to, as a part of the resolution plan being implemented for the borrower WEIFCPL shall duly apply these parameters in respect of all borrowers for whom a resolution plan is being implemented. These parameters are discussed in para 6.

f) Implementation date:

- Resolution plan has to be implemented within timeline as specified above. The resolution plan shall be deemed to be implemented, in respect of borrowers, other than individual borrowers, only if all of the following conditions are met:
 - o All related documentation, including execution of necessary agreements between lending institutions and borrower and collaterals provided, if any, are completed by the lenders concerned in consonance with the resolution plan being implemented (applies in case of restructuring);
 - o The changes in the terms of conditions of the loans get duly reflected in the books of the lending institutions (applies in case of restructuring);
 - o The borrower is not in default with any of the lenders.
 - o In respect of loans given to individuals for business purposes, the norms as applicable for personal loans would apply for considering whether the resolution plan is deemed to be implemented

6. KEY RATIOS TO BE CONSIDERED FOR FINALISING THE RESOLUTION PLAN IN RESPECT OF BORROWERS UNDER PART B OF PARA 5

- The RBI has accepted the below financial parameters prescribed by the Kamath Committee and has made it mandatory to follow these key ratios while finalizing the Resolution Plan of eligible borrowers:

Key Ratio	Definition
Total Outside Liabilities/ Adjusted Tangible Net Worth (TOL/ ATNW)	Addition of Long-term debt, short term debt, current liabilities and provisions along with deferred tax liability divided by tangible net worth, net of investments and loans in the group and outside entities
Total Debt/ EBIDTA	Addition of Short term and long-term debt divided by addition of Profit before tax, interest and finance charges along with depreciation and amortization.

Current Ratio	Current assets divided by Current liabilities
Debt Service Coverage Ratio (DSCR)	For the relevant year, addition of net cash accruals along with interest and finance charges divided by addition of Current portion of long-term debt with interest and finance charges
Average Debt Service Coverage Ratio (ADSCR)	Over the period of the loan, addition of net cash accruals along with interest and finance charges divided by addition of Current portion of long-term debt with interest and finance charges

- WEIFCPL is free to consider other financial parameters as well while finalizing the resolution assumptions in respect of eligible borrowers, apart from the above mandatory key ratios and the sector-specific thresholds that have been prescribed. The above requirements are applicable even in cases when we are the Sole Lender with exposure to an eligible borrower.
- The ratios prescribed above are intended as floors or ceilings, as the case may be, but the resolution plans shall take into account the pre-Covid-19 operating and financial performance of the borrower and impact of Covid-19 on its operating and financial performance at the time of finalising the resolution plan, to assess the cashflows in subsequent years, while stipulating appropriate ratios in each case.
- Given the differential impact of the pandemic on various sectors/entities, WEIFCPL may, at its discretion, adopt a graded approach depending on the severity of the impact on the borrowers, while preparing or implementing the resolution plan. Such graded approach may also entail classification of the impact on the borrowers into mild, moderate and severe, as recommended by the Committee.

7. ASSET CLASSIFICATION AND PROVISIONING

Asset classification and provisioning shall be governed by extant RBI stipulations including the stipulations contained in its circular dated 6th August, 2020 on resolution framework for COVID related stress and circular dated 7th September, 2020 dealing with applicable financial parameters as per the Kamath Committee recommendations, as modified / clarified from time to time.

Some of the key stipulations of the aforesaid circular are summarized briefly below:

- i. Borrowers who were standard at the time of resolution invocation will continue to be standard classified after implementation of resolution plan. Borrowers which slipped into NPA status between invocation of resolution and implementation of resolution plan may be upgraded to standard on implementation of the plan.

- ii. Any interim finance granted pending implementation of the resolution plan may be classified as standard till implementation of the plan, regardless of actual performance in the interim.
- iii. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to the additional finance or the rest of the credit facilities, whichever is worse.
- iv. If the resolution plan is not implemented as specified in this framework and within the timelines specified, the resolution process ceases to apply immediately in respect of the borrower concerned. Any resolution plan implemented in breach of the above stipulated timelines shall be fully governed by the Prudential Framework and the benefit of standard classification will not be available.
- v. In respect of borrowers where resolution plan is implemented under this framework within specified timelines, the minimum provision to be maintained is higher of 10% of the total debt or provision held as per IRAC norms prior to implementation of resolution plan.
- vi. Any additional provision maintained under the RBI Prudential framework (7th June 2019 circular) for resolution of stressed assets, due to delay in implementation of resolution plan, may be reversed if resolution plan under this COVID resolution framework is implemented within time frame stipulated. Additional time granted by RBI (vide circular dated 17th April 2020) for implementation of resolution plan due to COVID should be considered in ascertaining the delay period. Any additional provisions maintained under the said prudential framework, to the extent not reversed, may be used for meeting provision requirements under this COVID resolution framework.
- vii. The provision as above may be reversed as follows – 50% may be reversed upon payment of 20% of the residual debt without slipping into NPA status post implementation of resolution plan; balance 50% may be reversed upon the borrower paying another 10% (cumulatively 30%) of the debt without slipping into NPA status. The reversal shall be subject to any required provision as per extant IRAC norms being maintained.

8. Post implementation performance and implications:

The asset classification and other implications post implementation of resolution plan are summarized briefly as follows:

- In case of personal loans for which resolution plan has been implemented, the subsequent asset classification will be governed by the extant IRAC norms. Borrower will become NPA if overdue arises beyond 90 days.
- In case of other exposures, the following stipulations will be applicable:
- **'Monitoring period'** is defined as the period starting from the date of implementation of the resolution plan till the borrower pays 10 percent of the residual debt (amount retained by WEIFCPL), subject to a minimum of one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.
- Where downgraded as above, any upgradation to standard classification shall be subject to implementation of a fresh restructuring under the RBI's Prudential

Framework for Resolution of Stressed Assets and specified in WEIFCPL's Resolution of Stressed Assets and Recovery Policy. That is satisfactory conduct has to be demonstrated during the moratorium period.

- Upon completion of 'Monitoring period' without getting classified as NPA, the asset classification will be governed by the extant IRAC norms.
- The provisions maintained under this COVID resolution framework, to the extent not reversed as per the framework, will be available towards – any additional provisioning requirements arising under framework; or towards any additional provisioning required under the prudential framework due to delayed implementation of resolution plan.

9. DISCLOSURES AND REPORTING:

As specified by RBI, WEIFCPL shall make the following disclosures in published quarterly financials:

On quarterly basis - Particulars as per Format-A for each of the quarters ended 31.03.2021, 30.06.2021, 30.09.2021. This covers the data on resolution plans implemented under this framework.

On half yearly basis – Further to Format-A as above, additional particulars as per Format-B shall be applicable. This shall be from the half-year ended 30.09.2021 onwards and till the relevant exposures (where the COVID resolution plan is implemented) are fully extinguished or slip into NPA status, whichever is earlier. This format covers the data on exposures under standard classification due to implementation of resolution plan under this framework, amount written-off in the period, amount repaid by borrowers, amount that slipped into NPA, etc.

Where the resolution plan involved restructuring, the 'restructured' status shall be reported to credit information companies.

Format - A**Format for disclosures to be made in the quarters ending March 31, 2021**

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans					
Corporate persons*					
<i>Of which, MSMEs</i>					
Others					
Total					

**As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016*

Format-B**Format for disclosures to be made half yearly starting September 30, 2021**

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans					
Corporate persons*					
<i>Of which MSMEs</i>					
Others					
Total					

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016